

A bill for an act

relating to health; requiring reporting of certain administrative expense data; establishing the Advisory Group on Administrative Expenses; appropriating money; amending Minnesota Statutes 2008, section 62D.08, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 62D.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2008, section 62D.08, is amended by adding a subdivision to read:

**Subd. 7. Consistent administrative expenses and investment income reporting.**

(a) Every health maintenance organization must directly allocate administrative expenses to specific lines of business or products when such information is available. Remaining expenses that cannot be directly allocated must be allocated based on other methods, as recommended by the Advisory Group on Administrative Expenses. Health maintenance organizations must submit this information using the reporting template provided by the commissioner of health.

(b) Every health maintenance organization must allocate investment income based on cumulative net income over time by business line or product and must submit this information using the reporting template provided by the commissioner of health.

**EFFECTIVE DATE.** This section is effective January 1, 2012.

**Sec. 2. [62D.31] ADVISORY GROUP ON ADMINISTRATIVE EXPENSES.**

Subdivision 1. Establishment. The Advisory Group on Administrative Expenses is established to develop detailed standards and procedures for examining the reasonableness of administrative expenses by individual publicly funded programs.

Subd. 2. **Duties.** In order to implement the recommendations of the commissioner of health provided in the March 2009 report on administrative expenses and investment income for health plans and county-based purchasers, the advisory group must make recommendations on the following:

(1) consistent guidelines and reporting requirements, including development of a reporting template, for health maintenance organizations and county-based purchasers that participate in publicly funded programs; and

(2) standards and procedures for examining the reasonableness of expenses reported to the commissioner of health under clause (1).

Subd. 3. **Membership.** (a) The advisory group shall be chaired by the commissioner of health and shall consist of nine members as follows:

(1) the commissioner of health or the commissioner's designee;

(2) the commissioner of human services or the commissioner's designee;

(3) the commissioner of commerce or the commissioner's designee;

(4) three members appointed by the commissioner of health to represent health maintenance organizations and county-based purchasing plans; and

(5) three members appointed by the commissioner of health to represent:

(i) hospitals;

(ii) physicians; and

(iii) other health care providers.

(b) The appointments required under this subdivision shall be completed by August 1, 2010.

Subd. 4. **Administration.** The commissioner of health shall convene the first meeting of the advisory group by September 1, 2010, and shall provide administrative support and staff. The commissioner of health may contract with a consultant to provide professional assistance and expertise to the advisory group.

Subd. 5. **Recommendations.** The Advisory Group on Administrative Expenses must report its recommendations, including any proposed legislation necessary to implement the recommendations, to the commissioner of health and to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over health policy and finance by February 15, 2012.

Subd. 6. **Expiration.** This section expires after submission of the report required under subdivision 5 or June 30, 2012, whichever is sooner.

Sec. 3. **APPROPRIATION.**

**S.F. No. 3094, 2nd Engrossment - 86th Legislative Session (2009-2010) [s3094-2]**

3.1           \$100,000 is appropriated from the general fund to the commissioner of health in  
3.2           fiscal year 2011 for the advisory group established under Minnesota Statutes, section  
3.3           62D.31.